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Brian R Naranjo 02/14/2002 11:17:21 AM From DB/Inbox: Brian R Naranjo

Cable Text:

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TELEGRAM

February 14, 2002

To: SECSTATE WASHDC - IMMEDIATE
Action: EB
From: AMEMBASSY CARACAS (CARACAS 375 - IMMEDIATE)
TAGS: EPET, ENRG, ECON, VE
Captions: SENSITIVE
Subject: PARRA REPLACES LAMEDA AT PDVSA HELM
Ref: None

Chrcn

1. (U) This message is Sensitive but Unclassified. Please handle accordingly.

2. (U) Summary: Gaston Luis Parra Luzardo was named February 10 as the President of Venezuela's state-owned oil company, Petroleos de Venezuela, S.A. (PDVSA), replacing General Guacaipuro Lameda. Parra will be the fourth PDVSA president in three years. Parra has served since 2000 as First Vice President of the Central Bank of Venezuela, and was also a member of the Presidential Commission named to review the Hydrocarbons Law. Parra was formerly an academic in the Economic Faculty of the University of Zulia where he was an ardent opponent to the 1990's opening of the Venezuelan petroleum sector. End Summary.

3. (U) On February 10, President Chavez designated Gaston Luis Parra Luzardo (biography follows in Para. 5) to replace General Guacaipuro Lameda as PDVSA President. Parra is the fourth appointee as PDVSA President since the beginning of the Chavez regime. In his years as an academic, Parra was well-known as an opponent of the opening of the Venezuelan petroleum sector, the so-called "apertura." He is also known to have opposed majority project ownership by foreign companies and to have questioned the presence of the multinational oil companies in Venezuela. Parra supported the enactment of the new Hydrocarbons Law but was also a supporter of the more liberal Gaseous Hydrocarbons Law. Parra's appointment has been met with concern in Caracas where some in the oil sector believe he will serve as a puppet for the government, allowing PDVSA to be bled dry to meet the GOV's financial needs.

4. (U) Although Lameda's appointment generated initial concerns (i.e. a General who knew nothing of the petroleum sector), he worked hard to learn the business and was eventually well liked within PDVSA. Lameda was also seen as an advocate for PDVSA's interests in the on-going power struggle with the Ministry of Energy and Mines (MEM). Rumors concerning Lameda's replacement have swirled since December but this announcement came as a surprise. In a February 8 farewell breakfast for the Ambassador hosted by the Petroleum Chamber, Chamber members discounted any immediate departure of Lameda from PDVSA.

PARRA'S BIOGRAPHY

5. (U) Parra was born in Maracaibo, Zulia State, on June 21, 1933. He graduated from the University of Zulia with a degree in Economic and Social Sciences in 1963. He is the holder of honorary degrees from Colombia's University of the Atlantic and Simon Bolivar University, as well as from the University of Zulia. For years he was active within the academic world of Maracaibo, principally in the Economic Faculty of the University of Zulia. In 1999 he was elected to the National Constitutional Assembly.

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He was subsequently named as the First Vice President of the Central Bank of Venezuela in February 2000. Parra also recently served on the Presidential Commission which reviewed the Hydrocarbons Law. The Caracas press gives him credit for advocating a royalty regime of no less than 30 percent.

COMMENT

6. (SBU) Parra's appointment is likely to smooth PDVSA's relationships with the MEM. His views closely match those of Minister Silva Calderon. Decisions taken by PDVSA will now likely reflect what is good for the GOV rather than being purely business decisions. PDVSA is more likely to become a staunch advocate of the letter of the Hydrocarbons Law while, under Lamada, it was thought to be looking for creative ways around some of the Law's strictures.

7. (SBU) Parra is an academic who has never run a large business in the real world. The best signal of what will happen to the direction of PDVSA may lie in the future of the current PDVSA Board of Directors who are generally believed to be competent. In-coming PDVSA Presidents are allowed to hand pick the members of their Board. However, in this case, sources believe that a number of the members of the current Board may have been Parra's students. They also note that those in PDVSA considered to be the next generation of likely directors may be considered too young. No announcements have yet been made about other new appointments at PDVSA.

8. (SBU) On February 7, Fitch Ratings announced that it had downgraded PDVSA Finance notes to BBB from A-. The action was associated with the downgrade of Venezuela's sovereign foreign currency rating to B+ from BB-. Fitch's press release, however, notes that the downgrade also reflected "growing concerns related to the GOV's increasing willingness to access PDVSA's assets during times of financial distress." In a February 8 teleconference discussion of the downgrades, a Fitch analyst remarked that Fitch had decided not to further downgrade PDVSA Finance because the President of PDVSA (then Lamada) had been successful in keeping the sovereign at arms length. Parra's appointment will reinforce fears in world markets that the glass wall between the GOV and PDVSA has been eliminated. End comment.

HRINAK

Additional Addressees:

None

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SENSITIVE

E.O. 12958:N/A
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End Cable Text

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